

LETTER FROM THE | VICE CHAIRMAN

Let me express the deep sense of loss that all at PERAC feel as a result of the passing of our Chairman Judge Russo. His leadership has been instrumental not only in the achievements outlined below but in the success of the Commission over the last decade. Judge Russo, through a lifetime of dedicated public service, contributed to the Commonwealth in many areas. We at PERAC are proud to say that we share in his accomplishments on behalf of public employees, retirees and the public in the vital area of retirement.

And so it is with mixed feelings that the Commission and its staff release this 2013 Annual Report. This year's Report reflects the status of the Massachusetts public pension systems as we emerge from the effects of the 2008 market collapse. Most systems have now recognized the investment losses stemming from that disaster and are now back on the path toward full funding. Retirement boards have implemented the dramatic changes in the law governing public pensions in the Commonwealth adopted in the last decade. Due to their aggressive approach Massachusetts stands out as a jurisdiction that recognized the need for change and addressed that need. Having taken these actions and weathered the storm of 2008 Massachusetts' public pension funds are prepared to provide adequate benefits to members and beneficiaries in a manner that is sensitive to the fiscal challenges confronting policy makers and taxpayers.

It is noteworthy that several of the major revisions in our law, particularly those related to Annual Statements of Financial Interest and Board Member Education, are no longer controversial. The Commission has made a conscientious effort to administer these aspects of the law with sensitivity to the privacy of board members. Those efforts have paid off in near 100% compliance. However, the true source of this success has been the willingness of individual board members to cooperate and to recognize these initiatives as an attempt to improve the retirement system.

The balanced approach of shared sacrifice rather than an unfair shifting of burdens to public employees and their beneficiaries has enabled our pension system to navigate through difficult times.

Unfortunately, prophets of doom continue to draw the attention of the media and through that lens the public has received a distorted view of the benefits available to public employees, the operation of the retirement systems, and the fiscal impact of pension payments. One aspect of this circumstance has been the empowerment of various so-called "think tanks" and the publishing of "studies" that simply confirm erroneous preconceived notions. These entities range from one end of the ideological spectrum to the other and seem to have in common the distortion of facts, the confusion of health care and pensions and a general disregard for alternative opinions. One of their most egregious distortions is the inability or perhaps unwillingness to distinguish between jurisdictions that truly have avoided addressing pension issues and other jurisdictions who have taken action. Massachusetts has acted over several decades to meet the challenges involved in providing retirement benefits to members and beneficiaries and in funding those benefits responsibly yet the broad brush paints us with the failings of Illinois, California and Detroit.

Since the publication of our last Annual Report, Commissioner Greg Mennis, who served as the investment appointee of the Governor, and Alan Macdonald who also served as a designee of the Governor, have left the Commission. During his tenure Commissioner Mennis was a voice for fiscal prudence and worked with Actuary Jim Lamenzo in the analysis of various financial matters. His efforts assisted the Commission in meeting the challenges arising from the 2008 investment collapse. Commissioner Macdonald brought years of experience both in and out of government to the Commission. His endeavors in the corporate governance area are reflected in the enhanced education of board members, the expanded vendor disclosures and the procurement rules now in place. On behalf of the people of the

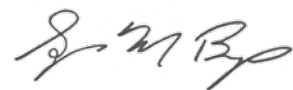
Commonwealth we thank Greg and Alan and wish them well in their future endeavors.

Attorney Phil Brown and John Langan have assumed positions on the Commission in the wake of these developments. Phil is familiar with the Massachusetts pension world as a result of his representation of the Middlesex Retirement Board. His perspective as a practicing attorney and his commitment to assuring that best practices are employed in the management of the pension funds have already made a substantial contribution to the Commission. John, Deputy Director of the Office of Employee Relations, has brought to bear his extensive experience in labor relations to issues pertaining to benefits and employee rights. He too, in a short period, has made a substantial contribution to the Commission's deliberations.

The balanced approach of shared sacrifice rather than an unfair shifting of burdens to public employees and their beneficiaries has enabled our pension system to navigate through difficult times. Any objective observer would conclude that we have confounded the naysayers and stand ready to move forward with a fiscally sound pension program that meets the retirement needs of members and beneficiaries.

As always, the Commission and staff will use our best efforts to assure that we maintain and build on this progress.

Sincerely,



Suzanne M. Bump
Vice Chairman